

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 1, 2025**

SUBJECT **Village on the Green Redevelopment – Mortgage Registration and Final Project Approval**

ISSUE SUMMARY

BC Housing Management Commission (BCHMC) requires a Resolution of Directors from the Capital Region Housing Corporation (CRHC) Board to authorize the execution of the mortgage documents relating to the Village of the Green (VOG) Redevelopment project, located at 1132 Johnson Street in the City of Victoria.

The Policy to Determine Delegation of Authority for the CRHC requires that any acquisition, retention, management or divestment of lands or improvements or any interest or right in or with respect to property of the CRHC that exceeds \$500,000 be considered by the Board.

BACKGROUND

VOG is a 38-unit townhouse complex that has been owned and operated by the CRHC since 1984. Building on the initial properties identified through the 2016 *CRHC Portfolio Renewal, Redevelopment and Development Strategy*, VOG was identified as a high priority site based on the existing condition and potential for significant densification. In June 2021, the CRHC Board authorized staff to apply for, negotiate and accept the terms to receive funds for the project which proposed 132 new rental homes through redevelopment.

In March 2022, the Capital Regional District (CRD) Board awarded VOG an \$11.1 million (M) grant through the Regional Housing First Program (RHFP) to provide 27 homes within the overall redevelopment that would be rented at the Provincial Income Assistance Shelter Rate Maximum (Shelter Rate). The total RHFP contribution increased to \$12.3M in October 2022 to support an expanded redevelopment scheme that would increase the total number of proposed units, including 32 homes that would be offered at Shelter Rate.

In July 2024, staff were authorized to allocated \$1.4M from the \$12.3M RHFP contribution to purchase the adjacent property located at 1138 Johnson Street. The strategic acquisition will see the number of homes on site increase from 140 to 160, including 32 homes that would be offered at Shelter Rate. In July 2025, the acquisition was finalized, and the two properties were consolidated into a single parcel. The Delegated Development Permit, through the City of Victoria's Rapid Deployment of Affordable Housing approval stream was secured and the Building Permit is ready to be issued, pending final payment.

In addition to the RHFP contribution, staff have secured supplementary funding through BC Builds (BCB), Regional Housing Trust Fund (RHTF), Victoria Housing Reserve Fund (VHRF), Growing Communities Fund (GCF), Canadian Mortgage and Housing Corporation (CMHC) Seed Funding and Federation of Canadian Municipalities (FCM) Study Grant. Further details are provided below.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Resolution of Directors for the Repayable Mortgage in the form required by BC Housing Management Commission for the purposes of authorizing the execution of the Loan and Mortgage documents for the Village on the Green Redevelopment project (PID 032-599-307), substantially in the form as attached hereto as Appendix A, be approved;
2. That the Resolution of Directors for the Forgivable Mortgage in the form required by BC Housing Management Commission for the purposes of authorizing the execution of the Loan and Mortgage documents for the Village on the Green Redevelopment project (PID 032-599-307), substantially in the form as attached hereto as Appendix B, be approved; and
3. That Edward Robbins, Chief Administrative Office, and Nelson Chan, Chief Financial Officer, or their duly authorized delegates, or any two directors or officers of the Corporation be authorized to do all things necessary to affect the project and take such steps as are required to conclude the financing, construction, and operation of the Village on the Green Redevelopment project.

Alternative 2

That this report be referred to staff for additional information based on Hospitals and Housing Committee direction.

IMPLICATIONS

Service Delivery Implications

This project leverages several substantial funding sources, including RHFP and BCB, to assemble the equity contributions required to maintain viable debt servicing levels. Projects under the RHFP typically use a mixed-income approach to develop new affordable rental housing for low-to-moderate income households, as well as housing to support people experiencing homelessness in the capital region. In this project, 32 homes will be rented at Shelter Rate levels in alignment with RHFP requirements.

BCB is not a traditional government housing program focused on providing homes for low-to-moderate income households. Instead, it aims to increase the supply of rental housing for middle-income households by leveraging public land, low-cost financing, and expedited approvals. Like the RHFP, BCB does not offer ongoing operating subsidies, meaning the CRHC will be responsible for covering any operating shortfalls.

By combining multiple funding sources, this project can deliver a range of housing options - including Shelter Rate homes, as well as homes for low-to-moderate and middle-income households. Projected rent levels are detailed in Appendix C. These rent levels may be adjusted at the Interest Adjustment Date (IAD), depending on the final take-out mortgage value and the interest rate that is secured in 2028.

Social Implications

In alignment with the CRHC's Tenant Relocation Policy, staff met with each household to develop individualized Tenant Relocation Plans. As of July 2025, all existing tenants have been successfully rehomed to suitable alternative accommodations. On project completion in 2028, eligible tenants will have the right of first refusal to return to the new VOG.

Financial Implications

In November 2024, the CRHC Board approved the Major Capital Plan (2025-2029), which included an \$81.1M budget allocation for VOG, based on a Class B estimate. As the CRHC owns the property outright, the land value was excluded. However, leading up to Final Project Approval (FPA), BCB instructed the CRHC to include the land value of \$5.4M to strengthen the project's overall equity contributions.

In August 2025, the competitive tender process concluded for all subcontracted work under the construction management delivery model. This procurement confirmed the final budget at \$81.0M, inclusive of land value. FPA was granted by BC Housing Management Commission (BCHMC) on September 24, 2025, and reflects a repayable first mortgage of \$36.3M and equity contributions of \$44.7M, including an \$18.3M forgivable mortgage through BCB.

Because the project does not qualify for an ongoing operating subsidy, the VOG budget struggled to close the equity gap throughout the development approval process. That gap is now fully addressed, and debt servicing requirements have been met, allowing the project to proceed. As shown in Table 1, the total equity required to ensure financial viability is 55.2% of the overall budget. This is significantly higher than the average 36.3% equity contribution for CRHC projects that benefit from an operating subsidy to offset below-market and affordable rent levels.

Table 1: Project Equity Breakdown

Land Equity	\$5,424,000	6.7%
Regional Housing First Program Grant	\$12,300,000	15.2%
Regional Housing Trust Fund Grant	\$1,815,000	2.2%
Victoria Housing Reserve Fund Grant	\$2,400,000	3.0%
Growing Communities Fund Grant	\$4,200,000	5.2%
CMHC Seed Funding Grant	\$71,000	0.1%
FCM Green Municipal Fund Study Grant	\$175,000	0.2%
BC Builds Grant (Forgivable Mortgage)	\$18,307,416	22.6%
Total Equity Deductions	\$44,692,416	55.2%
Mortgage Debt	\$36,307,584	44.8%
Total Project Costs	\$81,000,000	100%

Initially, the project will secure short-term construction financing at BCHMC's preferred rates, with interest accruing on the cumulative value of monthly construction draws. To minimize interest costs during the construction phase, grant funding will be fully expended before accessing short-term financing. On project completion, the construction financing and accrued interest will convert to take-out financing in the form of a repayable mortgage.

The current projection from BCHMC estimates a 4.5% interest rate for take-out financing at project completion in 2028. At that time, mortgage documents will be updated to reflect the final loan amount, interest rate, and term. The repayable mortgage will be amortized over 35 years, while the forgivable mortgage will be forgiven in equal installments over 25 years, beginning in the 11th year of compliant operations. Both mortgages will be governed by the terms set out in the Loan Commitment Letters (Appendix D and Appendix E) and Contribution Agreement (Appendix F).

As a condition of BCHMC financing, a Cost Overrun and Completion Agreement (Appendix G) must be in place prior to the first advance of funds. This agreement is intended to indemnify BCHMC if total project costs, including contingency allowances, exceed the approved budget. It also establishes a hard cap on the total mortgage that can be advanced, placing the onus on the CRHC to cover any additional costs arising during construction.

To mitigate this risk, the project budget includes a contingency allowance of approximately \$8.1M, or 10% of the total project budget. This exceeds the typical 7% to 9% range carried by CRHC at FPA but is in line with 5% to 10% range recommended by the Canadian Construction Association and the Royal Institute of Quantity Surveyors for Class A budgets. The higher contingency reflects a range of project-specific risks including, project location and increased security provisions, potential design coordination gaps, and heightened market volatility related to potential tariffs, material escalation, and global supply chain disruptions. These factors, combined with the exposure created by the Cost Overrun and Completion Agreement, support the need for an elevated contingency to ensure the CRHC can respond to cost pressures without jeopardizing project delivery or schedule.

If a cost overrun does occur, CRHC will evaluate mitigation options and return to the Board with a recommendation. In line with current practices, the Board will continue to receive project and financial updates through the CRHC Quarterly Update reports.

CONCLUSION

The VOG Redevelopment project is a significant step forward in advancing CRD and CRHC's shared commitment to increasing the supply of affordable, inclusive, and adequate housing across the region, delivering 160 new homes, including 32 deeply affordable units at Shelter Rate. With a total project value of \$81.0M, the development reflects an innovative funding approach that layers multiple grant sources to ensure the project's financial viability.

Notably, the project has secured \$12.3M through the RHFP, \$18.3M through BCB and \$4.2M through GCF, representing significant equity contributions that enhance the projects long-term financial sustainability. Combined with other equity contributions including the RHTF and VHRF, the CRHC has successfully assembled approximately \$44.7M in equity to support this redevelopment.

With FPA now in place through BCHMC and all financing requirements confirmed, execution of the mortgage and loan documents is one of the final steps required to secure financing and advance the project into the construction phase. Board approval of the Director's Resolution will ensure compliance with CRHC's Delegation of Authority Policy and enable the project to proceed on schedule. Staff will continue to manage project risk and financial performance and will keep the Board informed through ongoing quarterly reporting.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Resolution of Directors for the Repayable Mortgage in the form required by BC Housing Management Commission for the purposes of authorizing the execution of the Loan and Mortgage documents for the Village on the Green Redevelopment project (PID 032-599-307), substantially in the form as attached hereto as Appendix A, be approved;
2. That the Resolution of Directors for the Forgivable Mortgage in the form required by BC Housing Management Commission for the purposes of authorizing the execution of the Loan and Mortgage documents for the Village on the Green Redevelopment project (PID 032-599-307), substantially in the form as attached hereto as Appendix B, be approved; and
3. That Edward Robbins, Chief Administrative Office, and Nelson Chan, Chief Financial Officer, or their duly authorized delegates, or any two directors or officers of the Corporation be authorized to do all things necessary to affect the project and take such steps as are required to conclude the financing, construction, and operation of the Village on the Green Redevelopment project.

Submitted by:	Don Elliott, BA, MUP, Senior Manager, Regional Housing
Concurrence:	Patrick Klassen, MCIP, RPP, Acting General Manager, Housing, Planning and Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

- Appendix A: Draft Certified Resolution of Directors - Repayable Mortgage
Appendix B: Draft Certified Resolution of Directors - Forgivable Mortgage
Appendix C: Provisional Rent Levels
Appendix D: Loan Commitment Letter - Repayable Mortgage
Appendix E: Loan Commitment Letter - Forgivable Mortgage
Appendix F: Draft BC Builds Contribution Agreement
Appendix G: Draft Cost Overrun Agreement